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SECURITY INFORMATION

5 December 1951

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DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. USSR. Airfield construction in Soviet Zone of Austria: Earth moving equipment, including caterpillar tractors, rollers, disc harrows, and other construction equipment has appeared recently at the Vienna/Aspern airfield. The equipment is being used to grade and level a large area at the east end of the east-west runway. This is the first large quantity of construction equipment to be used in Austria during the post-war period and possibly foretells the initiation of a major airfield construction program in Austria in 1952. [REDACTED]

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Comment: While improvement of existing airfields and construction of new airfields within the Eastern European Satellites is a continuing part of the Soviet plan for increasing air capabilities in the Orbit, airfield construction such as that observable in all Satellites except Albania has not previously been noted in the Soviet Zone of Austria. Lack of evidence precludes interpretation of the current construction at Vienna/Aspern to mean a major airfield construction program in Austria, although the recent evacuation of several other fields in Austria by light bomber units has suggested that construction work may be planned for them.

Since the Soviet program of intensive airfield improvement and construction was first noted in the eastern zone of Germany and then spread throughout the Satellites, this report may indicate that the Soviet zone of Austria has had the lowest priority.

In Austria, there are Soviet military airfields only one of which has a completed hard-surfaced runway of 6000 feet or more at this date.

2. Lack of specialists to operate giant collective farms: Recent comment in Pravda and Izvestia indicates that deficiencies in collective farm leadership and direction represent a major unsolved problem confronting Soviet agriculture. The seriousness of the leadership problem is said to have been intensified last year by the mass campaign for collective farm mergers and enlargement.

Soviet newspapers note that many of the enlarged farms employ hundreds of workers and require smooth coordination of labor and machinery to prevent chaos and waste. Collective farm heads, accustomed to operating much smaller enterprises, are thought to be having difficulties in adapting themselves to the larger and more intricate problems presented by the new farms. (U New York Times, 4 Dec 51)

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Comment: The Soviet Government has endeavored to have collective farm chairmen picked from the ranks of agronomists, veterinarians, and other specialists, rather than from rank and file peasants. The apparent slowness of the Government's progress along this line may result from resistance offered not only by peasants but by the farm specialists as well.

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3. HUNGARY. Note protests frontier violation by US plane: The Hungarian Government in a note to the US Legation in Budapest on 3 December strongly protested the violation of Hungary's frontier by a US military cargo plane. The note charged that "the act was committed for criminal purposes, namely, to smuggle spies and diversionists into Hungary." Reference was made to a recent Hungarian declaration which listed examples of "brutal interference by the US in Hungary's internal affairs and the organization and support by the Americans of spies and saboteurs on Hungarian soil." The most recent violation of Hungary's frontier proves that the US continues to smuggle members of its intelligence service into Hungary, the note charges. [REDACTED] R FBIS, 3 Dec 51)

Comment: The Department of State has instructed the US Legation in Budapest to present a note to the Hungarian Foreign Office demanding prompt release of the plane and crew, but is planning to defer a protest to the Soviet Government pending the outcome of negotiations with Hungarian authorities..

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4. RUMANIA. Slow progress on Danube-Black Sea Canal: American and British diplomats who traveled by train in August and September from Bucharest to the Black Sea coast and observed about two-thirds of the project have reported unfavorably on the progress of the Danube-Black Sea Canal. Most work was being done by hand; there were few evidences of mechanical equipment. A large proportion, estimated by the British Air Attache at 30 percent, of housing for workers was fenced and guarded, indicating forced labor, and many laborers were seen working under armed guards. Other unguarded workers appeared to be members of the gray-uniformed Labor Corps. At the present rate, the American Legation does not believe that the 1955 target date for completion of the canal will be met. [REDACTED]
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Comment: Despite propaganda extolling the progress of Rumania's first gigantic construction project, this and other reports indicate that the project is not going as satisfactorily as claimed. Difficulties in the procurement of machinery and construction materials and reliance upon forced labor are detrimental to fulfillment of the initially over-ambitious plan.

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5. RUMANIA. Delegation goes to Peking: The American Legation in Bucharest reports that on 28 November a Rumanian delegation left for Peking to conclude a cultural agreement. Minister of Education Popescu-Doreanu, whose administrative fall was speculated upon some months ago, is chairman of the delegation and Ana Toma, Deputy Foreign Minister, is a member.
- [REDACTED]

Comment: Radio Peking announced on 3 December that the delegation had arrived in Peking. This is another instance of closer relations between Communist countries of the Eastern and Western orbits. The presence of Ana Toma in the delegation may be significant, since she is reportedly a close collaborator of Ana Pauker and may have gone to China for other than purely cultural reasons.

6. YUGOSLAVIA. Party officials express concern over closer US relations: Communist Party reaction to the evolution of Yugoslav-US relations is evidenced in two recent developments inside party circles.

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First, [REDACTED] Koper District committee officials of the party organization have circulated the following comments: American aid in no way subverts Yugoslav independence; the aggressiveness of the Soviet Union has forced Yugoslavia to accept Western aid; but Yugoslavia will not join or become involved in the Atlantic Pact; Yugoslavia will remain neutral and independent, steadfast in its goal of building socialism.

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Second, The Secretary of the Croatian Communist Party, Spiljak, has accused the party masses of falling victims to ideological decomposition and apathy. He roundly condemned affinity for Western non-Communist ideas among party members and attacked wishful thoughts that closer Western ties would mean that liberal bourgeois government would return to Yugoslavia.

[REDACTED] U NY Tribune, 25 Nov 51)

Comment: There are increasing signs of discomfort among the middle ranks of the Communist Party of Yugoslavia. Yugoslavs trained in Marxism and Soviet relations find it extremely difficult to accept the proposition that Western aid does not involve domination or interference. The question of how to preserve and strengthen the ideological rationale which serves to justify the present regime during a period of closer relationships with the West is one of Tito's major problems.

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SECTION 2 (EASTERN)

1. IRAN. Prime Minister reshuffles Cabinet in preparation for elections: The US Embassy in Tehran has confirmed press reports of a Cabinet reshuffle on 1 December. According to the Embassy, Amir-Alai, Mohammed Kalali, General Yazdanpanah and Ali-Amini have been appointed Ministers of Justice, Interior, War and National Economy, respectively. [REDACTED]

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Comment: Iranian law requires that government officials who desire to run for Parliament must resign before the elections, and these ministers will thus be ineligible for re-election to the Majlis. Their appointment, however, will materially increase National Front chances of victory in the election, for these men are all supporters of Prime Minister Mossadeq and the posts to which they have been appointed are vital to National Front control of the elections.

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2. INDIA. Communist activity increases near the Tibetan border. [REDACTED]

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[REDACTED] the Indian Government is seriously concerned over increased Communist activity at Kalimpong, West Bengal, one of the two southern termini of the main trade route between India and Lhasa, Tibet. According to the consular attache, who himself witnessed a Communist demonstration in Kalimpong, the Communists are exploiting political discontent among the large Gurkha population of the area. They may be able to defeat the Indian Congress Party in some of the forthcoming national election contests. [REDACTED]

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Comment: Reports from Kalimpong indicate that Chinese Communist troops are now stationed along the trade routes from India into Tibet, and that they are preparing to establish border posts along the frontiers of Nepal, Sikkim and Bhutan. By forging links with the Indian Communist organizations, which have existed in Kalimpong and Darjeeling for some time, the Chinese may soon develop their first strong trans-Himalayan line of communication and infiltration into the plains of India.

3. BURMA. Insurgent attacks upon railways continue: Insurgents have seriously interfered with rail communications south of Mandalay. For example, since the resumption of traffic between Rangoon and Mandalay on 2 November there have been only two days of effective service, and a section of the line has now been closed indefinitely because of constant sabotage. North of Mandalay, however, there has been a notable slacking off of insurgent attacks upon communications. The US Embassy in Rangoon comments that the insurgents appear to be in favor of preserving communications between Mandalay and the China frontier. [REDACTED]

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Comment: The insurgents in the areas referred to are mostly Communists. It is therefore logical that they should wish to keep the pipeline into China open both in the interest of maintaining the flow of smuggled goods to China and the receipt of supplies from their Communist colleagues.

4. INDONESIA. Foreign and Prime Ministers reassert necessity for New Guinea discussions, while latter expresses desirability of US mediation. The Indonesian Foreign Minister, [REDACTED]

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[REDACTED] reasserted his position in favor of free and frank discussions. He again argued that failure of Indonesia to obtain now the opportunity to discuss the Union and New Guinea questions with the Netherlands would lead inevitably to unilateral action on the part of Indonesia.

Shortly afterward, Prime Minister Sukiman expressed similar views. He added that he considered that the best way to settle the New Guinea issue would be through American mediation, stressing that the friendly spirit of Indonesia toward the US would grow in response to continued American confidence and support. [REDACTED]

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7. Cruiser Chungking reportedly repaired: The Chinese Communist cruiser Chungking made a trial run in the Chihli Gulf area and subsequently anchored near Port Arthur, according to a Communist source. The Chungking reportedly has a mixed Sino-Soviet crew and a Soviet commander. [REDACTED]

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Comment: It has never been clearly established whether or not the Chungking was salvaged by the Communists after being bombed at Hulutao in early 1949. If operational, this cruiser would be the Chinese Communists' largest naval vessel.

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8. Communists announce new Sino-Czech trade agreement: A Prague announcement on 2 December declares that "a Chinese trade delegation of 15 members arrived in Prague last night to sign the trade agreement between the Chinese People's Republic and the Czechoslovak Republic." (U FBIS Prague, 2 Dec 51)

Comment: Communist China and Czechoslovakia signed a trade pact only six months ago. At that time the Communists announced that the pact provided for a several-fold increase in Sino-Czechoslovak trade. The new agreement offers added evidence of the growing importance of the Satellites in China's foreign commerce. According to Peiping, one-fourth of China's foreign trade was with Eastern Europe in the first three quarters of 1951, as compared with some two percent in 1950.

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9. Chinese Communist airlift operations over Korea reported: [REDACTED] reported that the Chinese Communist Air Transport Wing, under the "Changchun Air Base Command," has flown four airlift operations over Korea since it was formed in July 1950. The most recent mission of this transport wing occurred in September 1951, when about 30 tons of materiel were dropped over Hsinmu. [REDACTED]

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Comment: Airlift operations from Manchuria to Korea have not previously been noted. However, the Chinese Communists have enough transports to airlift into Korea on a small scale.

10. US adviser to be placed in Chinese Nationalist Political Department: General Chase, chief of the US Military Assistance and Advisory Group on

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Formosa, reports that he has appointed a US adviser to the Political Department of the Chinese Nationalist Ministry of National Defense, at the suggestion of General Chiang Ching-kuo, chief of that department. This adviser is to observe the political officers' methods of operation, particularly those assigned to the Nationalist armed forces. [REDACTED]

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Comment: The system of political officers, directly responsible to General Chiang, is in operation at all levels in the Nationalist military structure.

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General Chase recently asked for the abolition of the entire Political Department, claiming that, by creating a dual chain of command, it impaired his efforts to reorganize the Nationalist armed forces. This is the first offer by Chiang Ching-kuo to disclose the activities of the Political Department.

11. KOREA. Bicameral legislature and direct election of the executive are proposed amendments to the ROK Constitution: The ROK State Council--Syngman Rhee's cabinet--approved on 27 November a Bill of Amendments to the ROK Constitution calling for a bicameral legislature and direct popular election of the President and Vice President, according to the US Embassy in Pusan. Under current procedure, one month will be allowed as a "period of discussion and debate," after which the amendments will be submitted to the National Assembly where a two-thirds vote is required for ratification. [REDACTED]

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Comment: These amendments are pet projects of Rhee, who fears that under the existing election procedure (i.e., by the National Assembly) he could not again become President. Inasmuch as his name is practically the only one known to the great mass of peasants, direct popular election would considerably enhance the possibility of his re-election.

It is believed by the Embassy that Rhee will probably spend the intervening month in carrying the issue to the people. The present feeling in the Assembly is that the amendments have little chance of passage, as the Assembly is loath to relinquish the important power of electing the President.

12. JAPAN. Indonesian and Philippine ratification of Japanese Treaty held up over reparations: Ratification of the Japanese Peace Treaty by the Indonesian and Philippine Parliaments appears doubtful, according to Department of State reports, unless "concrete engagements" in reparations by Japan are assured. As the minimum claims of these countries are in excess of Japanese capabilities, the Department, in order to prevent an impasse and ill feeling, is suggesting that the Japanese Government promptly initiate

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negotiations with Manila and Djakarta to offer specific projects and an interim advance program. [REDACTED]

Comment: In order to show good faith, Japan will undoubtedly be receptive to temporary arrangements which will not place an undue burden on its precarious foreign exchange position. Because of its uncertain economic future, Japan does not want to enter into any long term commitments.

13. Lower House Speaker predicts Diet dissolution next spring: Joji Hayashi, Speaker of the Diet's Lower House, predicted that the Diet will be dissolved next April or May, at which time he believes the Peace Treaty will have become effective. Hayashi stated the Yoshida administration will be able to remain in power until next spring and that it will be to the best interests of Japan to have the present Cabinet handle the problems connected with the completion of the Occupation. (U FBIS Ticker, Kyodo Press Service, 1 Dec 51)

Comment: Yoshida's government, in power now for nearly three years, has proved the most stable postwar administration. The Liberal Party, according to recent polls, is at a high point of popularity, and it no doubt is confident of being returned to power with a public vote of confidence. With the peace treaty effective and Japan's sovereignty returned, a new Cabinet could start off with a clear slate. Additionally, there is considerable pressure on the government to hold elections in order to provide the many prominent recent political depurgees with an opportunity to filter back into public life.

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SECTION 3 (WESTERN)

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- 25X1C 1. FRANCE-INDOCHINA. De Lattre considers Indochina situation hopeless: General de Lattre, [REDACTED] believes that victory in Indochina is impossible and that "disaster is imminent." The General feels that the United States fails to understand the gravity of the situation.

De Lattre, who expects to be the next SHAPE commander, has reportedly notified the French Government that he will not return to Indochina. [REDACTED]

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25X1A Comment: The conclusion of the French and other military officials in Indochina is that the Viet Minh cannot be defeated in the foreseeable future under the present political and military circumstances. Unless, however, there is a Chinese Communist invasion, no "disaster" is expected.

De Lattre, who is reportedly anxious to leave Indochina while he is still at the height of his success, may use ill health as an excuse to resign his present position. He probably feels that he has a vested interest in the NATO command because of the groundwork he laid with General Montgomery under the Brussels Pact. He regretted leaving the top French military post in Europe to his archrival, General Juin.

2. AUSTRIA. Communist wage demands capitalize on workers' discontent: Indications that the rank and file of Austrian trade unions may be dissatisfied with the current progress of the price roll-back campaign and the government's economic stabilization program have encouraged Communist leaders to intensify their demands for wage adjustments. Communist efforts are concentrated on achieving works-council support for a 300- to 400-schilling bonus payment for Austrian workers and a 200-schilling tax-free monthly wage increase. While Communist claims of success in this campaign are probably exaggerated, some scattered support appears to have been achieved among non-Communist works-councils. [REDACTED]; R FBIS, Vienna
Volkstimme, 2 Dec 51)

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Comment: Despite the obvious attractiveness of the irresponsible Communist demand for higher wages, Socialist leadership of Austrian labor does not appear to be challenged at the present time. Nevertheless, it will increasingly embarrass the Socialists in their support of a program which holds little promise of achieving any real alleviation of the workers' problems. Perhaps indicative of a protest psychology within labor ranks are initial and unconfirmed reports from current shop-stewards elections showing losses sustained by government candidates, small gains by the Communists, and larger gains by non-party and "unity" candidates.

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3. BELGIUM-NETHERLANDS: Benelux opposes pressure for early European Defense agreement: At the 26 November meeting of the Foreign Ministers of France, Great Britain and the United States with the Benelux Foreign Ministers, the latter complained over the fact that conclusion of the contractual arrangement with Germany depends on agreement on the European Defense Forces. The Benelux Ministers also resented being put into the position of blocking EDF, adding that constitutional problems made their situations different from France and Germany. [REDACTED]

Comment: A Benelux draft resolution submitted to the NATO Council just prior to this meeting suggested that the Benelux countries would resist any pressure for concluding the EDF Conference which might result in their having to accept a French dictation of the treaty. The French insist that the contractual arrangement must be linked with Germany's acceptance of the European Defense Forces.

The Belgian Foreign Minister had previously doubted the chances of parliamentary approval of EDF as it now stands.

4. ITALY. Italy and the USSR conclude negotiations for new trade agreement: The terms of the latest one-year Italo-USSR trade agreement have been analyzed by the US Embassy in Rome as "very favorable to the Italians." Principal Italian imports are 100,000 tons of wheat, 100,000 tons of petroleum, 200,000 tons of fuel oil, 100,000 tons of anthracite coal, 20,000 tons of manganese ore, and other raw materials. The USSR offered an additional 100,000 tons of wheat which the Italians would not accept because of its high price.

In exchange the Italians will export artificial fibres, textiles, lemons, citrus fruits, almonds, oils, cork, and ball and roller bearings. The Italians granted only 350 million liras worth of ball and roller bearings as compared to the 1.2 billion liras worth sought by the USSR. In addition, the unutilized quotas of the long-term agreement concluded in November 1948, under which Russia furnished raw materials for the manufacture in Italy of specified industrial equipment, will remain in effect. [REDACTED]

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Comment: The Italo-USSR trade negotiations have been long and drawn out. Soviet petroleum deliveries to Italy have in the past not been entirely satisfactory as to price and quality. The terms of the Italian peace treaty require Italy to manufacture machinery for which the USSR will provide the raw materials.

5. VATICAN-GERMANY. Vatican reportedly supports Bruening's return to Germany: The Vatican is "sponsoring" the return of former German Chancellor Bruening from the United States to Germany. Statements attributed to Monsignor

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Montini, in charge of "Ordinary Affairs" in the Vatican Secretariat of State, and Monsignor Kaas, leader of the Catholic Center Party during the Weimar Republic and now working on the Vatican's German desk, indicate that the Vatican has briefed Bruening to try to prevent German Socialist leader Schumacher from negotiating with East German Minister President Grotewohl concerning the reunification of Germany. Bruening is also to work against any alliance between British Socialist Bevan and French and Italian Socialist leaders "on a basis of neutralism."

The Vatican is said to be concerned over Chancellor Adenauer's failing health and over the animosity between him and Schumacher. [REDACTED]

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Comment: Bruening, like Kaas a former member of the Catholic Center Party during the Weimar Republic, is probably considered a potential moderating influence in the political strife which the Vatican fears is weakening Western Germany and blocking the unification of Western Europe against the threat of Communist aggression. The Vatican, however, probably overestimates Bruening's influence on current German affairs after his long exile in the United States.

6. SPAIN. Spain avoids open ties with European fascist organization: According to the first detailed report on the meeting of European fascists held in Spain in late September, representatives of the Spanish Falange sidestepped any official connection with the fascist European Social Movement. The Spaniards allegedly stated that although the government wanted to cooperate, Franco wishes to avoid any action that might jeopardize Spain's prospects of receiving economic and military aid from the United States.

The leaders of the Movement are purported to have accepted reluctantly the fact that cooperation between the Falange and other fascist organizations would have to be on a personal basis. For the moment the fascists are prepared to accept American leadership until the Communist threat is over-

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Comment: This report is believed to represent an accurate statement of the present opportunistic attitude of the Spanish Government toward open participation in any international fascist movement.

7. UNITED KINGDOM. British hint possible intervention to save Schuman Plan and European Defense Community: Julian Amery, one of the leading British Conservative spokesmen at the Council of Europe debates, has emphasized to the US observer there his conviction that the Schuman and Pleven Plans must not fail. He said that his government would go to "considerable lengths" to see that some acceptable coal-steel pool and European Defense

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Community evolved, especially if -- as Reynaud, the French representative, had predicted -- the French National Assembly refused to ratify these plans without British participation. [REDACTED]

Comment: Council of Europe delegates do not necessarily speak for their governments. On 27 November at the Rome NATO meeting, Foreign Secretary Eden said that Britain would not send troops to the European Defense Forces, but would be "associated" with them; and there are no indications that the British Government is prepared to go beyond this position at present.

Earlier in the Council of Europe proceedings, Robert Boothby, another Conservative representative, and the influential Manchester Guardian advocated contributing two British divisions to the European Defense Forces. The British may be holding out the prospect of their dramatic entrance into the European Defense Community and similar organizations as a psychological prop to wavering continental Europeans -- without, however, committing themselves to any specific actions.

8.

Government cuts research and development funds: The Minister of Supply has been directed to effect a 10 to 21 percent reduction in current allocations of research and development funds. Priority studies are being prepared to determine which projects will be curtailed. Basic research will be the first affected. [REDACTED]

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Comment: A reduction in funds for research and development, which are largely for defense purposes and which have up to now been conspicuously shielded from budget cuts, reflects the current British Government's attempt to cut expenditures wherever possible, as well as the trend toward using available resources to obtain more immediate results in the defense program. The 1951-1952 defense budget allowed 76 million pounds for research and development, an increase of 13 million pounds, or about 21 percent, over the preceding year.

9. TUNISIA. French Resident General fears trouble in Tunisia: The French Resident General in Tunisia fears that the "stiffening attitude" of French political groups toward Tunisia is preventing any concessions on governmental reform. He predicts that incidents may occur, but that the French will be able to maintain order. [REDACTED]

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Comment: The overwhelming success of a 24-hour general strike on 29 November, called by the nationalist labor union to demonstrate Tunisian solidarity with the demands presented in Paris by Tunisian Prime Minister Chenik, apparently has caused concern in French governmental circles. Chenik and his delegation will probably become more insistent, and the Resident General, who failed to keep the delegation away from Paris, may be replaced. The French are considering the appointment of a joint French-Tunisian commission to study the reform question.

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SECTION 1 (SOVIET)

1. YUGOSLAVIA. American Congressman invites Tito to visit the US: US Ambassador Allen reports that during a polite conversation with Tito, Congressman Zablocki of Wisconsin said that he hoped Tito would visit the United States soon. The Marshal replied that he has always had this aspiration and hoped that the appropriate occasion would arise.

During a press interview with touring Congressmen the following day, Allen emphasized that Zablocki was speaking as an individual member of Congress and not for the Department of State. [REDACTED]

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SECTION 2 (EASTERN)

2. INDOCHINA. De Lattre intends to resign: [REDACTED] General de Lattre recently inferred in an interview that he planned to resign because the war in Indochina was "impossible." De Lattre is said to be planning the replacement of French forces by a Vietnamese army. In addition, De Lattre gave the impression he expected to succeed General Eisenhower if the latter became President of the United States. [REDACTED]

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Comment: Similar information has just been reported from Paris. It is not known whether the same interview was reported twice or whether the two reports are separate statements by De Lattre containing identical views.

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SECTION 3 (WESTERN)

3. AUSTRIA. Soviet authorities repeat Austrian remilitarization charges: The Soviet representative on the Allied Council on 30 November repeated charges that the three Western occupying powers are remilitarizing their zones of Austria. The three Western High Commissioners rejected the charges and refused to accept a Soviet resolution demanding a quadripartite investigation. A US counterproposal confirming the completion of demilitarization, requiring commercial enterprises operated by the occupying powers to comply with Austrian laws, and urging the early conclusion of a treaty was rejected by the Soviet High Commissioner. The meeting ended without agreement. [REDACTED]

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Comment: With the assistance of the Austrian Communist press and the forum provided by the Allied Council, the Soviet element has succeeded in extending these charges over a two-month period. Austrian and Allied

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observers believe that Soviet emphasis on this issue has been designed to provide a convenient excuse for refusing to sign an Austrian treaty. Rejection of the Soviet resolution, however, will deprive Soviet allegations of the dignity which would have been lent them by a pending investigation.

4. ITALY. Italians pessimistic on chances of obtaining UN membership: The Italian Government appears to have no hope that the USSR will forego a veto in the Security Council on Italy's admission to the UN except on conditions unacceptable to it or the US. [REDACTED]

Comment: The Soviet note of 11 October on revision of the Italian peace treaty made Italy's admission to the UN contingent on that of the Satellite countries.

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